

Business leagues; directory of members published; franchises granted. A nonprofit organization of individuals in the business of furnishing finance adjusting services, which assigns exclusive franchise areas to its members and publishes and distributes to their potential customers a directory containing members' names and addresses, is performing particular services for its members and does not qualify for exemption under section 501(c)(6) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization is a voluntary association of individuals engaged in the business of furnishing finance adjusting services to automobile finance companies, automobile dealers, and other organizations requiring such services. Membership consists of adjusters, investigators, repossessioners, liquidators, and skip tracers. The organization was formed to provide a means for the membership to exchange views on their common business and legal problems, to maintain standards of ethical conduct within their profession, and to cooperate in promoting the public relations and general welfare of their profession.

Members are assigned franchise areas, usually a large city and the area within a seventy-five mile radius of the city. There is only one membership granted in each of these franchise areas.

The organization's principal activity is the publication and distribution of an annual directory consisting almost entirely of members' names, addresses, and telephone numbers. The directory is distributed free to those members of the business community who are likely to require the services of the profession. Listings in the directory are alphabetical by State and city, and include all cities, towns, or boroughs having a population of five thousand or more. The directory lists the member under the franchise city and then cross references each of the smaller localities within the franchise area to the franchise city.

The organization's activities also include holding a yearly convention; sponsoring a booth at various industry trade shows; continual policing of membership with respect to qualifications, effectiveness, and conformity to Federal, state, and local laws; publishing a monthly newsletter and listing of automobiles in the possession of persons who have skipped from the address given to the appropriate finance company; and providing a \$10,000 bond to clients of members to indemnify them against losses caused by members in the performance of their services.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any

shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest. The activities of the association must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

The publications and distribution, in the manner described above, of a directory containing the names and addresses of members constitutes advertising for the individuals so listed, and is, therefore, the performance of particular services for such individuals rather than an activity aimed at the improvement of general business conditions. See Rev. Rul 65-14, 1965-1 C.B. 236.

The granting of specific territorial franchises to members and restricting membership on this basis benefits individual members to the exclusion of the finance adjusting industry as a whole. By publishing the annual directory, by assigning franchises to its members, and by providing its members with various other services, the organization is operated primarily to assist its members in their individual businesses rather than to improve the profession as a whole. Thus, the organization is primarily engaged in the performance of particular services for individual persons rather than the improvement of business conditions in one or more lines of business. Accordingly, the organization does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.